

Internal Revenue Service, Treasury

§ 1.812-8

§ 1.812-7 Application of subtitle A and subtitle F.

Section 812(f) provides that except as modified by section 809(e) (relating to modifications of deduction items otherwise allowable under subtitle A of the Code) subtitles A and F of the Code shall apply to operations loss carrybacks and carryovers, and to the operations loss deduction, in the same manner and to the same extent that such subtitles apply in respect of net operation loss carrybacks, net operating loss carryovers, and the net operating loss deduction of corporations generally. For the computation of the operations loss carrybacks and carryovers, and of the operations loss deduction in the case of certain acquisitions of the assets of a life insurance company by another life insurance company, see section 381(c)(22) and the regulations thereunder.

[T.D. 6535, 26 FR 539, Jan. 20, 1961]

§ 1.812-8 Illustration of operations loss carrybacks and carryovers.

The application of § 1.812-4 may be illustrated by the following example:

(a) *Facts.* The books of M, a life insurance company, organized in 1940, reveal the following facts:

Taxable year	Taxable investment income	Gain from operations	Loss from operations
1958	\$11,000	\$15,000	.....
1959	23,000	30,000	.....
1960 .....	.....	.....	(\$75,000)
1961	25,000	20,000	.....
1962 .....	.....	.....	(150,000)
1963	22,000	30,000	.....
1964	40,000	35,000	.....
1965	62,000	75,000	.....
1966	25,000	17,000	.....
1967	39,000	53,000	.....

The gain from operations thus shown is computed without regard to any operations loss deduction. The assumption is also made that none of the other modifications prescribed in paragraph (b) of § 1.812-5 apply. There are no losses from operations for 1955, 1956, 1957, 1968, 1969, 1970.

(b) *Loss sustained in 1960.* The portions of the \$75,000 loss from operations for 1960 which shall be used as carrybacks to 1958 and 1959 and as carryovers to 1961, 1962, 1963, 1964, and 1965 are computed as follows:

(1) *Carryback to 1958.* The carryback to this year is \$75,000, that is, the amount of the loss from operations.

(2) *Carryback to 1959.* The carryback to this year is \$60,000 (the excess of the loss for 1960 over the offset for 1958), computed as follows:

Loss from operations	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960)	15,000
Carryback	60,000

(3) *Carryover to 1961.* The carryover to this year is \$30,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958 and 1959), computed as follows:

Loss from operations	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960)	\$15,000
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962)	30,000
Sum of offsets	45,000
Carryover	30,000

(4) *Carryover to 1962.* The carryover to this year is \$10,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958, 1959, and 1961), computed as follows:

Loss from operations	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960)	\$15,000
Offset for 1959 (the \$30,000 gain from operations for such year computed without the deduction of the carryback from 1960 or the carryback from 1962)	80,000
Offset for 1961 (the \$20,000 gain from operations for such year computed without the deduction of the carryover from 1960 or the carryback from 1962)	20,000
Sum of offsets	65,000
Carryover	10,000

(5) *Carryover to 1963.* The carryover to this year is \$10,000 (the excess, if any, of the loss for 1960 over the sum of the offsets for 1958, 1959, 1961, and 1962), computed as follows:

Loss from operations	\$75,000
Less:	
Offset for 1958 (the \$15,000 gain from operations for such year computed without the deduction of the carryback from 1960)	\$15,000